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PAGE 01 STATE 196974

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FOR THE HONORABLE ARTHUR F. BURNS, CHAIRMAN
FEDERAL RESERVE BOARD, BURGER PARK HOTEL

THE WHOLESALE PRICE INDEX FOR SEPTEMBER DECLINED 1.5 PER CENT, SEASONALLY ADJUSTED, AND SLIGHTLY MORE UNADJUSTED, TO A LEVEL 16.6 PER CENT ABOVE A YEAR EARLIER. THE DECLINE RESULTED PRIMARILY FROM A REDUCTION OF 5.2 PER CENT, SEASONALLY ADJUSTED, IN PRICES OF FARM PRODUCTS AND FOODS IN SEPTEMBER FOLLOWING A 19.3 PER CENT INCREASE IN AUGUST. INDUSTRIAL COMMODITIES ROSE .7 PER CENT FURTHER, SEASONALLY ADJUSTED, WITH INCREASES WIDESPREAD AMONG COMMODITIES.

MR. WILLIAMS REPORTS THAT THE CONSENSUS FORECASTS AT A MEETING OF TECHNICAL CONSULTANTS TO THE BUSINESS COUNCIL WERE ROUGHLY SIMILAR IN REAL TERMS TO THOSE OF THE FEDERAL RESERVE STAFF AND OTHER RECENT PROJECTIONS. THEY CALL FOR A SLOWER, BUT STILL RAPID, RISE IN PRICES IN 1974, MUCH SLOWER GROWTH IN REAL ACTIVITY, BUT NO RECESSION. A NEW FEATURE OF THE DISCUSSION WAS THE APPARENTLY UNANIMOUS AND STRONG CIRITICISM OF THE CONTROL PROGRAM AND THE STRONG FEELING THAT IT SHOULD BE ABANDONED PROMPTLY. BOTH FISCAL AND MONETARY POLICY WERE SUBJECTED TO A GREAT DEAL OF CIRITICISM.

BOOK VALUE OF MANUFACTURERS' INVENTORIES ROSE AT AN DOLS 11.6 BILLION ANNUAL RATE IN AUGUST; THE JULY RATE WAS REVISED DOWNWARD TO
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 196974

DOLS 10.6 BILLION. THE RATE IN THE SECOND QUARTER WAS DOLS 16.8

BILLION. ACCORDING TO STILL PRELIMINARY DATA, NEW ORDERS FOR DURABLE GOODS DECLINED 0.9 PER CENT IN AUGUST INSTEAD OF 1.6 PER CENT AS INDICATED EARLIER. ORDERS FOR NONDEFENSE CAPITAL GOODS ARE NOW ESTIMATED TO HAVE FALLEN 4.0 PER CENT RATHER THAN 5.0 PER CENT. SHIPMENTS OF DURABLE GOODS WERE OFF 3.7 PER CENT INSTEAD OF THE EARLIER REPORTED 4.2 PER CENT.

THE MANUFACTURING INVENTORY-SHIPMENTS RATIO ROSE SLIGHTLY FROM 1.56 TO 1.58. HOWEVER, THE RATIO OF INVENTORIES TO UNFILLED ORDERS AT DURABLE GOODS PRODUCERS CONTINUED TO DECLINE. CONSUMER PESSIMISM INCREASED SIGNIFICANTLY IN THE SURVEY RESEARCH CENTER SURVEY CONDUCTED BETWEEN AUGUST 22 AND SEPTEMBER 11. THE INDEX OF SENTIMENT DROPPED 4.2 POINTS FROM MAY IN THE LATEST REPORT AND IS NOW AT 71.8--AN HISTORICAL LOW. GENERALLY, THE SRC ATTRIBUTES THIS "UNPRECEDENTED PESSIMISM" TO ATTITUDES TOWARD PAST AND EXPECTED INFLATION AND MISTRUST OF ECONOMIC POLICY. IN TERMS OF THE INDEX OF SENTIMENT, MUCH OF THE DECLINE IN THE CURRENT SURVEY REFLECTED EVALUATIONS OF PRESENT AND EXPECTED PERSONAL FINANCIAL SITUATIONS. IN ADDITION, HOWEVER, EXPECTATIONS ABOUT BUSINESS CONDITIONS, ALREADY GLOOMY IN MAY, BECAME EVEN WORSE IN AUGUST-SEPTEMBER. EVALUATIONS OF WHETHER IT IS A "GOOD TIME TO BUY" HOUSEHOLD DURABLES ALSO DECLINED, BUT RESPONSES TO THIS QUESTION WERE STILL RELATIVELY FAVORABLE. THE OUTLOOK FOR THE DEMAND FOR HOUSES ALSO DETERIORATED WITH ONLY 24 PER CENT OF RESPONDENTS SAYING IT WAS A GOOD TIME TO BUY. THIS IS A DRAMATIC SHIFT FROM A YEAR AGO WHEN THE COMPARABLE FIGURE WAS 51 PER CENT. THE LATEST SURVEY SHOWS LITTLE CHANGE IN BUYING PLANS FOR AUTOMOBILES; RESPONSES TO THIS QUESTION HAD BECOME NOTABLY MORE UNFAVORABLE IN THE PREVIOUS QUARTER.

THE TREASURY SECURITIES MARKET OPENED WEAKER THIS MORNING BUT IMPROVED FOLLOWING LARGE RESERVE-SUPPLYING OPERATIONS BY THE DESK. PURCHASES TOTALING AROUND DOLS 2 BILLION, INCLUDING REPURCHASE AGREEMENTS, WERE MADE IN LIGHT OF THE TIGHT OPENING IN THE FEDERAL FUNDS MARKET AND THE OUTLOOK FOR LARGE SEASONAL RESERVE NEEDS IN THE PERIOD AHEAD. THE 3-MONTH BILL FELL 16 BASIS POINTS TO 7.48 PER CENT AND THE EFFECTIVE RATE IN THE FUNDS MARKET WILL PROBABLY BE SET AT 10-7/8 PER CENT, ALTHOUGH THE RATE FELL SHARPLY DURING THE AFTERNOON AS THE STATEMENT WEEK CAME TO AN END. STOCKS PRICES CONTINUED TO RISE IN VERY HEAVY TRADING. THE DOW JONES

CONFIDENTIAL

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PAGE 03 STATE 196974

INDUSTRIALS ADVANCED 7.75 POINTS TO A LEVEL OF 964.55.

FOREIGN EXCHANGE MARKETS WERE GENERALLY QUIET WITH RATES MOVING OVER A NARROW RANGE.

THE DUTCH MONEY MARKET CONTINUED VERY TIGHT, AND THE NETHERLANDS BANK PURCHASED DOLS 190 MILLION ON A SWAP BASIS TO PROVIDE ADDITIONAL GUILDER RESERVES TO THE BANKING SYSTEM. THE NATIONAL BANK OF

BELGIUM RAISED ITS DISCOUNT RATE BY 1/2 PER CENT TO 7 PER CENT, A MOVE DESCRIBED AS TECHNICAL AND INTENDED TO BRING THIS RATE MORE IN LINE WITH OTHER SHORT-TERM BELGIAN INTEREST RATES.

THE BANK OF JAPAN SOLD DOLS 60 MILLION TODAY, AND THE GERMAN FEDERAL BANK SOLD AT LEAST DOLS 10 MILLION. THE SYSTEM AGAIN PURCHASED MARKS AND BELGIAN FRANCS TOWARD REDUCING OUTSTANDING SWAP INDEBTEDNESS.

EURO-DOLLAR RATES WERE SOMEWHAT LOWER IN THE SHORTEST MATURITIES AND ESSENTIALLY UNCHANGED IN LONGER MATURITIES. GOLD WAS UP DOLS 1.40 TO DOLS 99.15.

DEMOCRATIC SENATORS AGREED TODAY TO A TWO-WEEK SENATE RECESS LATER THIS MONTH TO AWAIT HOUSE ACTION ON MONEY BILLS THAT MUST BE PASSED BEFORE CONGRESS CAN ADJOURN FOR THE YEAR.

DISCLOSING THE PLAN TO REPORTERS, DEMOCRATIC LEADERS INSISTED THE TWO-WEEK RECESS SCHEDULED TO START OCTOBER 12 OR 13 WON'T DELAY THE END OF THE 1973 CONGRESSIONAL SESSION.

THEY ADMITTED, HOWEVER, THAT THE SESSION WILL RUN INTO NOVEMBER BECAUSE THE MASSIVE DEFENSE APPROPRIATIONS BILL WON'T BE READY FOR ACTION FOR AT LEAST A MONTH. HOWEVER, DEMOCRATIC LEADER MIKE MANSFIELD SAID HE STILL HOPES CONGRESS CAN ADJOURN FOR THE YEAR A WEEK OR 10 DAYS BEFORE THANKSGIVING, NOVEMBER 22. RUSH

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